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GENERAL

1. American embassy comments on North Korean delegation to Moscow:

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The US embassy in Moscow considers that the visit of the North Korean delegation to Moscow probably indicates that the USSR has decided to throw its full weight behind the regime in much the same way it did with East Germany. The embassy feels that Pravda's recent statement that a political conference held on the basis of the US resolution is "doomed to failure" supports the view that at present Moscow has no serious plans for Korean unification.

The embassy suggests that the Moscow conversations may cover some kind of bilateral security agreement, arrangements for formalizing the Soviet Union's recent promise of aid, and North Korean rail reconstruction in which the USSR is vitally interested.

Comment: From the composition of the delegation, it appears that the conference has been called to discuss economic or political matters. The explosive character of the Korean situation is likely to deter the USSR from making a formal security commitment.

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3. Comment on new Iranian-Soviet trade agreement:

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The commodities to be exchanged under the terms of the Iranian-Soviet trade agreement reportedly signed on 3 September, the details of which have not yet been announced, are probably similar to those included in the 10 June agreement. This made the USSR Iran's largest customer for nonstrategic commodities.

On 31 August, Prime Minister Zahedi told Ambassador Henderson that Iran planned to sell nonstrategic surplus goods to the USSR in exchange for commodities that could be bought advantageously from the Soviet Union. Zahedi assured Henderson that it was not in Iran's interest to strengthen Soviet military power and asked to be informed of Iranian exports considered by the United States to be strategic.

Regardless of the new Iranian government's willingness to cooperate with the United States, the 10 June and 3 September trade agreements strengthen Moscow's economic ties with Iran and advance Soviet propaganda capabilities.

SOUTHEAST ASIA

4. Quirino may appoint political general as secretary of defense:

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The American embassy in Manila has been reliably informed that President Quirino has offered the position of secretary of defense

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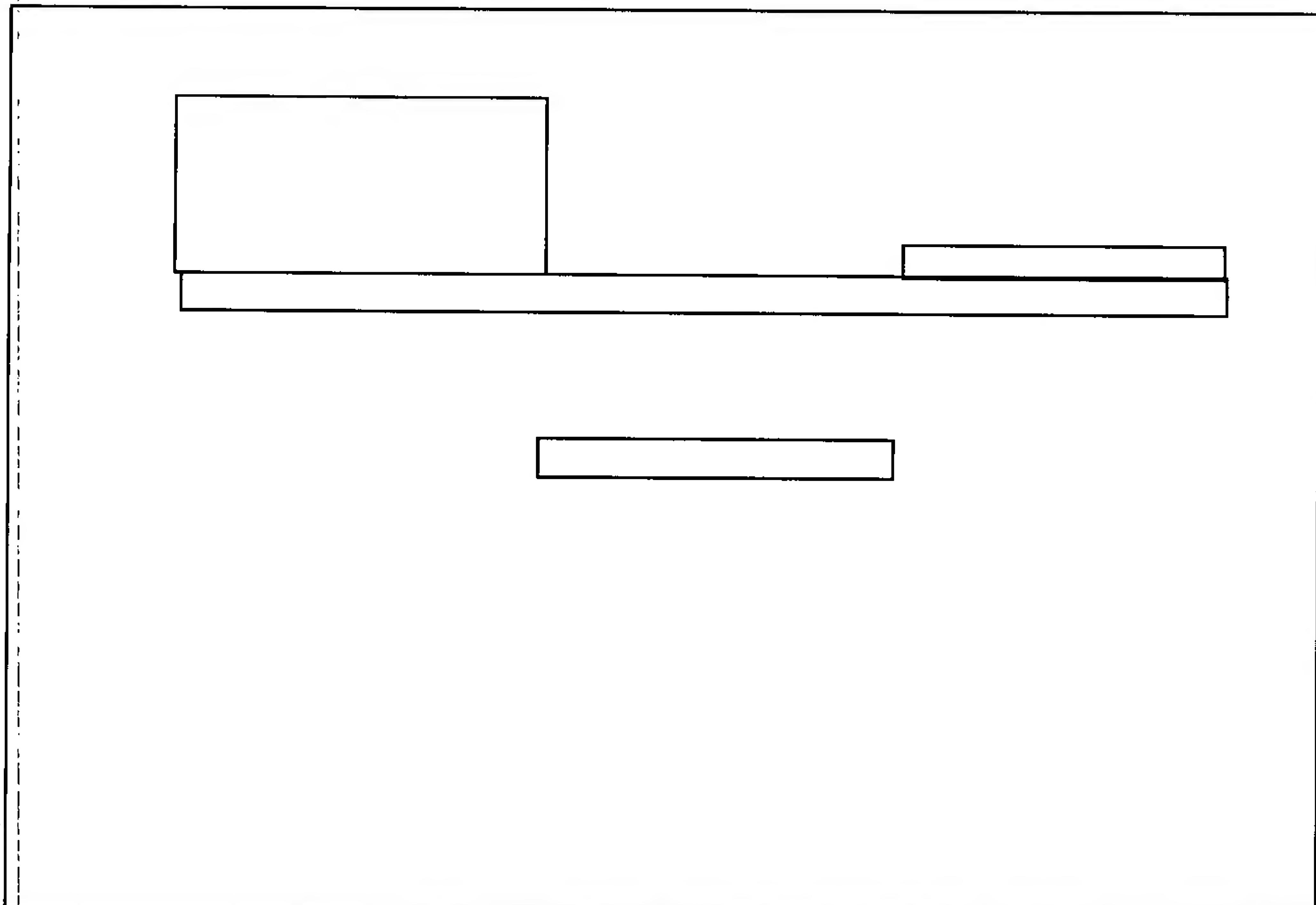
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to former chief of staff Mariano Castaneda. The embassy comments that the general feeling in Philippine military and political circles is that Castaneda's appointment would be detrimental to free elections and army efficiency.

Comment: Castaneda served as armed forces chief of staff during the fraudulent 1949 elections when military forces were used to ensure Quirino's election. He was removed in 1950 by Magsaysay, who was then defense secretary, because of inefficiency and corrupt practices.

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NEAR EAST - AFRICA

6. Ratification of Anglo-Libyan treaty encounters new difficulties:

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The Libyan senate has postponed consideration of the British treaty, which has already been approved by the chamber and cabinet, and has recessed ostensibly to await assurances that the British payment of 1,000,000 pounds annually for Libyan economic development, as provided in the treaty, will be considered as Libya's contribution to the Libyan Development Agency.

According to the American embassy in London, the British Foreign Office is not optimistic that a suitable formula for a compromise on control of the British contribution can be reached, in which case Prime Minister Muntasser might resign and the treaty die.

Comment: If the Libyan position were accepted, it would deprive the British of control over the use of this money.

EASTERN EUROPE

7. Yugoslavia requests tripartite intervention in Trieste crisis:

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On 2 September, Yugoslav undersecretary for foreign affairs Bebler asked for intervention by the American, French and British governments to assure normalization of Italian military dispositions in the Yugoslav-Italian border area.

Bebler asserted that if the Italian military measures are not canceled, Yugoslavia will be forced to take "corresponding measures." He noted also that Marshal Tito would "of course be deeply influenced" in his 6 September speech by whether Italian troops had returned to their original locations.

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Comment: Yugoslavia is basing its threat on unconfirmed Italian press reports that Italian troops have been moved into the border area.

Yugoslavia has an infantry brigade with supporting tanks and artillery occupying Zone B of Trieste, and one infantry division, one tank brigade and one mountain infantry brigade in the general area near Italy. Major Italian units normally located near Yugoslavia consist of two infantry divisions and a mountain infantry brigade, and there also are two armored divisions which just completed summer maneuvers in the area.

WESTERN EUROPE

8. **British move to modify moratorium on discussion of Chinese UN representation:**

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British UN representatives in New York have requested American views on a proposed weakening of the Assembly resolution imposing a moratorium on discussion of the Chinese representation issue. The British government feels that the "changed situation" resulting from the armistice should be reflected in a new formula which would not freeze the situation unalterably for the next twelve months.

In London the Foreign Office has stated that it would have difficulty continuing support of the moratorium if, for example, the Chinese Communists were to release all foreign internees and make concessions to British businessmen, or give satisfactory guarantees on Indochina. On the other hand, if the Chinese Communists make difficulties at the political conference, the British would see advantages in maintaining the older arrangement.

Comment: Reflecting a dominant public attitude, the British press has virtually unanimously taken the view that the Korean armistice has made possible and desirable the early admission of Communist China to the UN.

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